

**REPORT OF THE AUDIT OF THE
MONTGOMERY COUNTY
CLERK**

**For The Year Ended
December 31, 2001**



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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable B. D. Wilson Jr., Montgomery County Judge/Executive

Honorable Judy Long Witt, Montgomery County Clerk

Members of the Montgomery County Fiscal Court

The enclosed report prepared by Berger & Ross, PLLC, Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the County Clerk of Montgomery County, Kentucky, for the year ended December 31, 2001.

We engaged Berger & Ross, PLLC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Berger & Ross, PLLC, evaluated the Montgomery County Clerk's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett".

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure



**AUDIT EXAMINATION OF THE
MONTGOMERY COUNTY CLERK**

Calendar Year 2001

Berger & Ross, PLLC
Certified Public Accountants and Fraud Examiners
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Louisville, KY 40299-1837
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE MONTGOMERY COUNTY CLERK

Calendar Year 2001

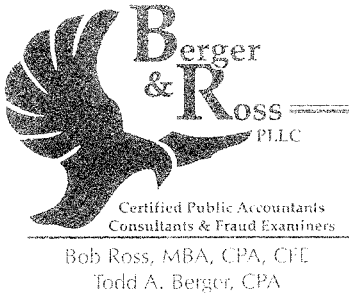
Berger & Ross, PLLC has completed the Montgomery County Clerk's audit for calendar year 2001. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition

Excess fees increased by \$20,586 from the prior calendar year, resulting in excess fees of, \$181,379 as of December 31, 2001. Revenues increased by \$189,568 from the prior year and disbursements increased by \$20,586.

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Association of Certified Financial Planners
Association of Certified Fraud Examiners
Chartered Institute of Accountants
National Association of Accountants
National Association of Tax Professionals
Government Auditing Standards Association

To the People of Kentucky
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Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Montgomery County Kentucky, for the year ended December 31, 2001. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 2001, in conformity with the modified cash basis of accounting.

To the People of Kentucky
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Honorable Judy Long Witt Montgomery County Clerk
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In accordance with Government Auditing Standards, we have also issued our report dated July 2, 2002, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Berger & Ross", with a long horizontal flourish extending to the right.

Berger & Ross, PLLC

Audit fieldwork completed -
July 2, 2002

MONTGOMERY COUNTY
JUDY LONG WITT, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 2001

Receipts

State Payments:

State Fees for Services	\$	9,411
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Fiscal Court		74,427
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Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$	661,722
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Usage Tax		3,104,131
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Tangible Personal Property Tax		1,465,517
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Licenses

Marriage		8,384
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Dog Licenses		405
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Deed Transfer Tax		52,391
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Delinquent Taxes		352,074		5,644,624
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Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts	\$	35,510
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Real Estate Mortgages		48,053
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Chattel Mortgages and Financing Statements		83,754
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Powers of Attorney		1,557
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Other Recordings		8,320		177,194
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Other:

Interest Earned	\$	5,174
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Copy Work		8,461
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Postage		1,294
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Candidate Filings		500
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Passports		8,420
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Notary Fees		9,316		33,165
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Total Receipts	\$	5,938,821
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The accompanying notes are an integral part of the financial statement.

MONTGOMERY COUNTY
JUDY LONG WITT, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 2001
(Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$	476,458	
Usage Tax		3,010,795	
Tangible Personal Property Tax		<u>536,752</u>	\$ 4,024,005

Licenses and Taxes:

Dog Licenses	\$	342	
Delinquent Tax		50,382	
Legal Process Tax		<u>24,578</u>	75,302

Payments to Fiscal Court:

Tangible Personal Property Tax	\$	124,741	
Delinquent Tax		28,514	
Deed Transfer Tax		<u>50,049</u>	203,304

Payments to Other Districts:

Tangible Personal Property Tax	\$	739,400	
Delinquent Tax		<u>188,490</u>	927,890

Payments to Sheriff

3,187

Payments to County Attorney

52,463

Operating Disbursements:

Personnel Services-

Deputies' Salaries			290,145
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Employee Benefits:-

Employer's Paid Health Insurance	\$	42,956	
Employer's Share Social Security		20,246	
Employer's Share Retirement		<u>19,483</u>	82,685

Capital Outlay-

Office Equipment			1,322
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Contracted Services-

Property Tax Bill Preparation			<u>5,499</u>
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Disbursements (Carried Forward)

\$ 5,665,802

The accompanying notes are an integral part of the financial statement.

MONTGOMERY COUNTY
JUDY LONG WITT, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 2001
(Continued)

Disbursements (Brought Forward)		\$	5,665,802
Other Charges-			
Conventions and Travel	\$	1,854	
Dues		800	
Passports		6,485	
Charges for Other Services		300	
Computer Lease/Maintenance		14,863	24,302
Total Disbursements		\$	5,690,104
Net Receipts		\$	248,717
Less: Statutory Maximum			63,738
Excess Fees		\$	184,979
Less: Expense Allowance			3,600
Excess Fees Due County for Calendar Year 2001		\$	181,379
Payments to County Treasurer - February 7, 2002	\$	181,162	
July 3, 2002		217	181,379
Amount Due		\$	0

The accompanying notes are an integral part of the financial statement.

MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENT

December 31, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2001.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's Office to invest in the following, including but not limited to, obligations of the United States and of its agencies instrumentalities, obligations, and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS) pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Non-hazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for non-hazardous employees was 7.17 percent for the first six months and 6.41 percent for the last six months of the calendar year.

Benefits fully vest on reaching five years of service for non-hazardous employees. Aspects of benefits for non-hazardous employees include retirement after 27 years of service or age 65.

MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENT
December 31, 2001
(Continued)

Note 2. Employee Retirement System (Continued)

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement System's annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2001, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name, or provided surety bonds which named the County Clerk as beneficiary/obligee on the bonds.

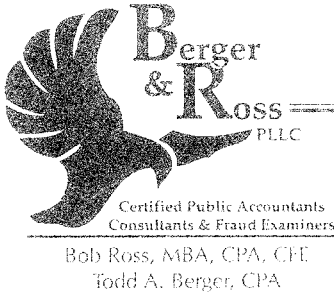
Note 5. Leases

The office of the County Clerk is committed to a lease agreement with Software Management for computer equipment, and software. The agreement is renewable on an annual basis and requires monthly payments of \$762.

Note 6. Statutory Maximum

The Montgomery County Fiscal Court pays the County Clerk's salary. Therefore, we do not report any statutory maximum amount in the County Clerk's financial statement for calendar year 2001. Our review of the fiscal court's records confirm that the County Clerk did receive her full statutory maximum salary for calendar year 2001.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



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Association of Tax-Exempt Accounting Firms
Chartered Accountants Association
National Association of Accountants
National Association of Certified Public Accountants
Government Auditing Standards Association

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Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the statement of receipts, disbursements, and excess fees of the Montgomery County Clerk for the year ended December 31, 2001, and have issued our report thereon dated July 2, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Montgomery County Clerk's financial statement for the year ended December 31, 2001, is free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Montgomery County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report on Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Berger & Ross", with a long horizontal flourish extending to the right.

Berger & Ross, PLLC

Audit Fieldwork completed -
July 2, 2002

